



# TRACKING THE FINANCING OF CLIMATE ACTION: HOW COLOMBIA DEVELOPED AND IMPLEMENTED A COMPREHENSIVE NATIONAL MRV FRAMEWORK FOR CLIMATE FINANCE

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**ACTION AREA:** Cross-cutting

**FOCUS AREA:** M&E

**COUNTRY:** Colombia

## SECTORS

**INVOLVED:** Cross-sectoral

**TIMEFRAME:** 2015 - present (data collection for the MRV system already started in 2011)

**CASE SUMMARY:** Colombia is one of the first countries in the world to have developed a comprehensive Monitoring, Reporting and Verification (MRV) framework to track climate finance (Climate Finance MRV) from public, private and international sources. The development of the MRV framework has followed several steps, including: The establishment of a tailored methodology, the development of an on-line platform and the implementation of an ownership strategy of the MRV framework at different governance levels and with the public and private sector.

The online platform is a key element of the MRV framework, providing information in several forms – inter alia through maps that georeference climate finance information; summaries of project information; graphics and tables that present an information analysis; and infographics with aggregate data. All this aims to facilitate access, understanding, and use of the climate finance information.

The National Planning Department of Colombia leads the process and has also promoted the framework nationwide to be used as a planning tool.

Colombia's Climate Finance MRV framework constitutes a good practice as it follows a multi-level governance approach, has been characterised by a high level of stakeholder engagement and is transparent in nature.





**BACKGROUND:** ————— The Paris Agreement, enacted by the United Nations Climate Change Conference (UNFCCC) in 2015, calls for a progressive increase in the mobilisation of funding for climate change mitigation and adaptation, and promotes a transparency framework for managing resources and monitoring the impact of funded actions. To do so, a detailed understanding of existing climate finance flows is required, in particular their source and the type of measures they support.

Although information about financial flows from public sources has improved, there is a high degree of uncertainty about the actual amounts provided and mobilised. Also, it is important to highlight that information regarding private funding sources is even more limited than public sources.

Increasing transparency and understanding of finance flows is a crucial step towards alignment and compliance with the Paris Agreement, both to implement actions to reduce greenhouse gas (GHG) emissions and to direct such flows towards adaptation actions to reduce the vulnerability and increase resilience of populations, economies and ecosystems.

Climate finance for mitigation and adaptation measures is particularly relevant for Colombia, given the country's high vulnerability to the effects of climate change.

**ACTIVITIES:** ————— In February 2016, the National Government of Colombia approved the National System for Climate Change (SISCLIMA for its acronym in Spanish) through Decree No. 298. SISCLIMA's Interagency Coordination Body coordinates and promotes effective actions for a resilient and low-carbon development, and fosters the alignment between national priorities and Colombia's international commitments related to climate change.

SISCLIMA's Climate Finance Committee developed the Climate Finance MRV framework (which is one of the three elements of the National MRV framework), operated by the National Planning Department (DNP) of Colombia.

The design and implementation process of the Climate Finance MRV framework consisted of the following steps:

- a) Identification of the need for an MRV framework and prioritisation within the lines of work of the Financial Management Committee (to guarantee an institutional framing of the process)
- b) Formulation of a methodology to track and classify climate finance flows, including procedures to track domestic-public, domestic-private and international-public funds
- c) Development of an online platform to report and visualise flows (available via the URL: <https://mrv.dnp.gov.co/Paginas/inicio.aspx>)
- d) Transfer of the platform to the DNP servers under copyrights
- e) Implementation of an ownership strategy for the MRV framework at territorial and sectoral levels together with public and private actors
- f) Annual update of the database

The components of the Climate Finance MRV framework include Measurement, Reporting and Verification (see Figure 1).

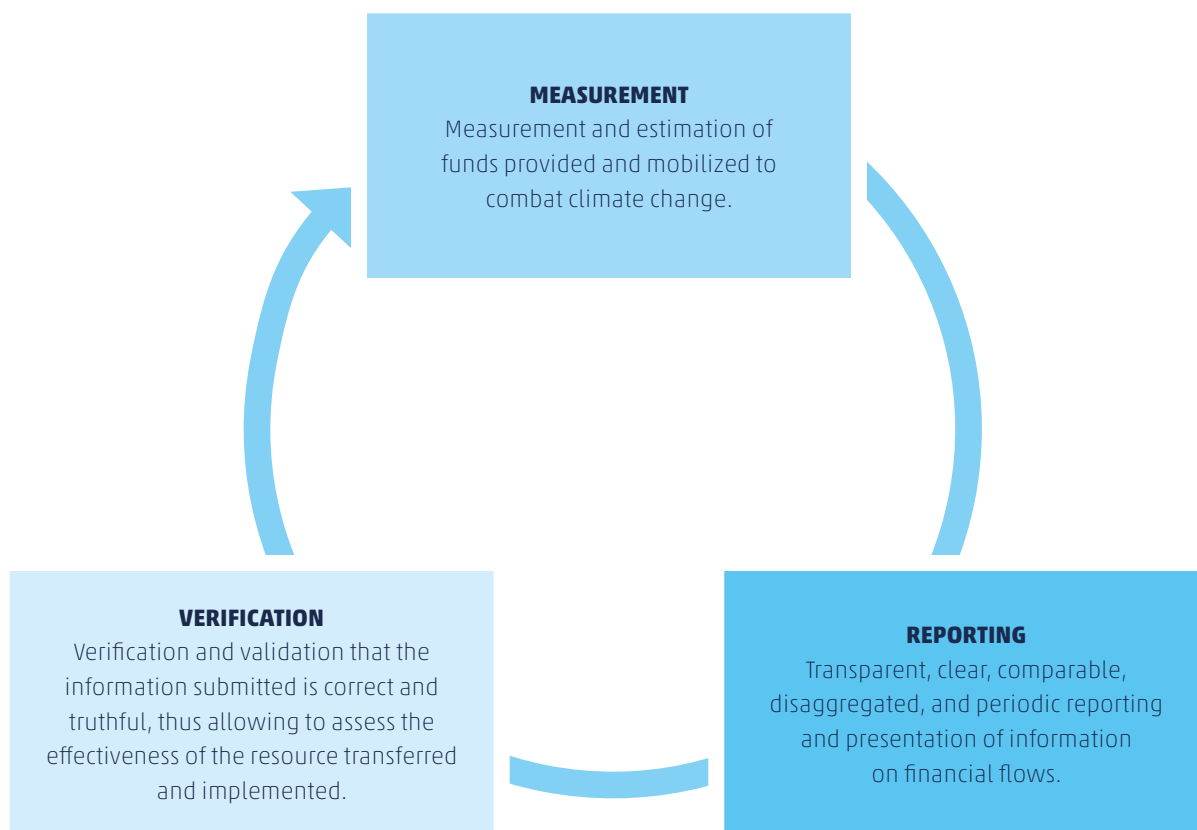


Figure 1: Components of the Climate Finance MRV (Comité de Gestión Financiera - Departamento Nacional de Planeación, 2016)

The main objective of the Climate Finance MRV framework is to build information management processes to track climate finance flows for climate change mitigation and adaptation in order to enhance understanding of the latter. This in turn helps to increase their effectiveness in several regards: Investment gaps can be identified, greater resources to address climate change can be mobilised and planning and decision-making can be informed in a useful manner. The methodology for monitoring climate finance flows in Colombia complies with four fundamental principles: Flexibility, transparency, comparability and consistency.

In summary, the climate finance MRV framework is relevant to:

- Systematise information in a transparent and comparable manner, thus improving the confidence of donor and recipient countries to mobilise funds for climate change
- Support the fulfilment of international reporting commitments to the UNFCCC
- Understand how sectors and territories invest, understand the impact of climate finance and identify investment gaps
- Strengthen an informed decision-making process for the implementation and enforcement of the Nationally Determined Contribution (NDC)



The tracking of investments for different climate finance flows is conducted using various sources of information that are divided into three types (see Table 1): Domestic-Public Tracking; Domestic-Private Tracking; and International-Public Tracking. It is important to emphasise that the information used already existed on the part of different actors. However, work plans have been developed in conjunction with other organisations that are the ones that raise the information to improve the quality and ensure that they have all the information that is needed to track climate finance flows.

<b>DOMESTIC-PUBLIC TRACKING</b>	<b>DOMESTIC-PRIVATE TRACKING</b>	<b>PUBLIC-INTERNATIONAL TRACKING</b>
<ul style="list-style-type: none"><li>· Information system of the Single Territorial Form (Sistema de información del Formulario Único Territorial (SISFUT))</li><li>· Financing Information Comprehensive System (Sistema Integrado de Información Financiera (SIIF))</li><li>· General Royalty System (Sistema General de Regalías (SGR))</li></ul>	<ul style="list-style-type: none"><li>· Annual Manufacturing Survey (Encuesta anual manufacturera (EAM))</li><li>· Industrial Environmental Survey (Encuesta ambiental industrial (EAI))</li><li>· Annual Hotel Survey (Encuesta ambiental de hoteles (EAH))</li><li>· Other sources of information of the financial sector and insurance sector</li><li>· Own instrument for collecting information in the real sector</li></ul>	<ul style="list-style-type: none"><li>· Direct consultation to cooperation agencies (CICLOPE)</li></ul>

Table 1: Three types of information sources for tracking investments (DNP et al., 2016)

In addition, a methodological guide is used to classify and measure climate finance in Colombia. The main objective of this document is to guide the classification and measurement of finance related to climate change mitigation and adaptation actions coming from public, private, national and international sources. The methodological guide:

- Provides a set of definitions to assess whether a measure/action has a direct or indirect impact on climate change
- Classifies actions into 12 sectors and 38 sub-sectors
- Categorises the action by type of impact (mitigation, adaptation and cross-cutting)
- Provides guidance on how to track investment flows per funding source

Finally, the DNP, World Resources Institute (WRI) and Climate Finance Group of Latin America and the Caribbean (GFLAC) consultants have built a digital platform called 'Climate Finance Measurement, Reporting and Verification Framework in Colombia' with technical support from SoftManagement. The aim is to have a centralised platform where information obtained with the application of the methodological guide is gathered, facilitating access to the collected data as well as their use and interpretation.

**THE SYSTEM WAS BUILT IN 4 PHASES:**

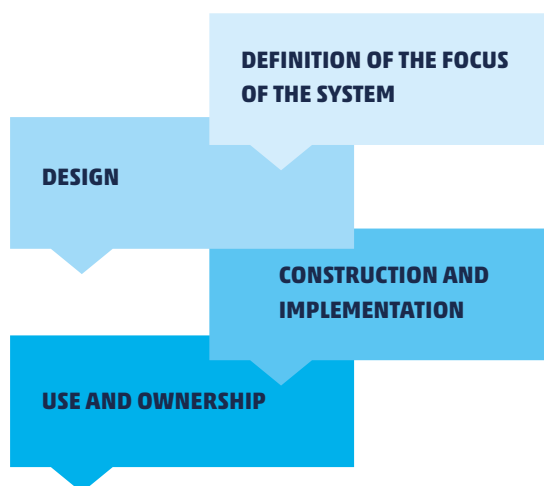


Figure 2: Phases of developing the digital platform  
(Comité de Gestión Financiera-Departamento Nacional de Planeación, 2016)

The platform has a series of contents available to inform the user on issues related to climate finance and on how to track this type of investment in Colombia. Furthermore, the platform contains different options to report/extract information according to user-defined parameters.

Type of reports available on the platform include:

- Infographics
- Graphical reports
- Maps
- Action sheets (templates that report each proposed climate action)
- Personalised reports

The information is updated annually, but the data is collected and processed on the platform throughout the year. This happens because these functions are already part of the specific functions of one of the directorates of the DNP.

To date, the analysis of the tracking of climate financing has allowed understanding what the average annual investment from the public and private (domestic and international) is. It also allows analysing how investments are distributed by objective (adaptation, mitigation or cross-cutting) and by sector. This information is valuable to analyse the alignment of the investment based on the needs and goals of the country, and thus evidence the annual gaps.

**INSTITUTIONS**

**INVOLVED:**

\_\_\_\_\_ The members of SISCLIMA's Financial Management Committee are:

- National Planning Department (DNP)
- Ministry of Finance and Public Credit (MHCP)
- Ministry of Environment and Sustainable Development (MADS)
- Ministry of Commerce, Industry and Tourism (MCIT)
- Ministry of Foreign Affairs (MRE)
- Presidential Agency for International Cooperation (APC)
- Adaptation Fund
- Institute of Hydrology, Meteorology and Environmental Studies (IDEAM)
- Foreign Trade Bank of Colombia (Bancoldex)
- Territorial Development Financing Agency (FINDETER)
- Agricultural sector financing fund (FINAGRO)



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**COOPERATION WITH:** — Colombia received operational support for implementing its MRV framework by:

- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UN Environment)
- World Resources Institute (WRI)

UNDP Colombia supported the administrative management of the programme, and WRI and UN Environment were allies for the Climate Finance MRV. Nevertheless, it is important to highlight that beyond the relevance of the support of these entities, the process always responded to the priorities established by the SISCLIMA Financial Management Committee and its activities were always accompanied and led by the DNP.

**FINANCE:** — In sum, the implementation of the MRV framework received approximately USD 500,000 of financial support.

- The Green Climate Fund (GCF) financed the methodological and technological design of the MRV and as well as the team in the initial years through its Green Climate Fund Readiness and Preparatory Support Programme.
- The French Development Agency (Afd) simultaneously contributed to the methodological development and first results of tracking international public flows and subsequently contributed to maintaining the system.
- Although no public resources were directly allocated, personnel in the entities of the Financial Management Committee, mainly by the Ministries of Finance, Environment and DNP, contributed in revising and validating the process and the information. DNP also currently provides the servers hosting the system.

- IMPACT OF ACTIVITIES:** —
- **THE ESTABLISHMENT OF COORDINATION INSTANCES:** Coordination instances have been formed, with different institutions providing, reviewing and validating information. This improves the tracking and classification processes as well as the promotion of the use and ownership of the Climate Finance MRV framework as a tool for decision-making.
  - **A USE OF THE MRV ONLINE PLATFORM BEYOND INTERNATIONAL REQUIREMENTS:** The platform and the information it entails is used as a planning tool beyond fulfilling international requirements. For example, the Climate Change Act in 2018 stipulated the need for sectoral and territorial Climate Change action plans. Today, each territory has used the platform to include information on how to finance these action plans, which measures are currently financed, and how much has been spent on climate change so far.
  - **INCREASED UNDERSTANDING AND RELEVANCE OF CLIMATE FINANCE:** In building a comprehensive MRV system that spans both mitigation and adaptation as well as public and private sources of financing, Colombia has triggered a debate on what counts as climate finance – and thus has enhanced understanding of the topic as well as its relevance (UNDP, 2018).

- **CREATION OF A MAP OF PUBLIC INVESTMENTS:** In the context of the further development of the MRV framework, the Colombian government has created a map of investments in 2018 to consolidate and report all public investments in the country. The information from the map will feed into the MRV system and also inform further National Communications and Biennial Update Reports (UNDP, 2018; DNP, n.a.).

#### WHY IS IT

##### GOOD PRACTICE:

- **STAKEHOLDER ENGAGEMENT:** The design and implementation of the Climate Finance MRV framework has generated a participatory process. It included local and regional governments as well as international stakeholders and donors, allowing the framework to be internalised and owned by each of the stakeholders involved.
- **MULTI-LEVEL-GOVERNANCE:** In order to implement the Climate Finance MRV framework, constant work is being carried out to collect and validate information at the national, regional and local levels.
- **TRANSPARENCY:** The Climate Finance MRV framework standardises national information at different scales and from different sources in a transparent manner for reporting and/or planning.

##### SUCCESS FACTORS:

- **EMBEDDING THE IMPLEMENTATION OF THE FRAMEWORK AT THE PLANNING LEVEL:** The framework was designed and continues to be led by the Department of National Planning. Thus, not only the Ministry of Environment is putting efforts into climate change mitigation and adaptation. Instead, it becomes a national effort and commitment.
- **A CODIFIED BASIS FOR THE MRV FRAMEWORK:** Publishing the Decree No. 298 encouraged local governments to use the Climate Finance MRV framework as a management and planning tool. This shows the practical relevance that such a decree can have.
- **THE DEVELOPMENT OF A METHODOLOGICAL GUIDE:** The straightforward and comprehensive methodological guide can be used by each stakeholder to garner and report clear and consistent information according to established criteria.



**OVERCOMING BARRIERS / CHALLENGES:** —————

**WHAT WERE THE MAIN BARRIERS / CHALLENGES TO DELIVERY?**

**INFORMATIONAL:**

A diversity of methodologies for accounting and characterising climate finance is available. However, it is a challenge to choose a methodology that is suitable for the specific country context.

**POLITICAL:**

There is currently no defined or agreed-upon conceptual framework and taxonomy (at the international level) to characterise the actions related to climate change and/or to unify criteria for their classification

**HOW WERE THESE BARRIERS / CHALLENGES OVERCOME?**

- At the international level, various organisations dedicated to monitoring funding were identified. The criteria provided by the Organisation for Economic Cooperation and Development (OECD), the Multilateral Development Banks and the GFLAC methodology as well as other international efforts dedicated to analyse climate finance were taken into consideration. This allowed the identification of 209 actions considered to be related to climate change mitigation and/or adaptation.
- The research also assessed methodologies for public expenditure analysis. These involved the methodology developed by the GFLAC and the methodology for the Climate Public Expenditures and Institutional Review used by UNDP. The review of the main national policy frameworks and instruments for climate change offered 29 instruments that stood out (inter alia the National Strategy for Reducing Emissions from Deforestation and Forest Degradation and the National Adaptation Plan for Climate Change, which helped to specify what the country has defined as mitigation and adaptation actions).
- Workshops were held with stakeholders from government, private, academic and civil society sectors to introduce the methodology and receive recommendations to strengthen it.
- Approximately 15 meetings were held with different stakeholders to define how climate change (mitigation and adaptation) actions are understood and classified within each sector.
- Colombia decided to include direct climate change actions as well as climate change related actions. The lack of clear and universal definitions and the ongoing discussions around them constituted a barrier to the implementation of the Climate Finance MRV framework.



**TECHNOLOGICAL:**

The design and development of the technological scope of the platform must have a flexible base and preferably be developed in-house.

· The platform is still in the implementation phase. Thus, many improvements are still needed. At the design stage, the conception was rather rigid (e.g. technical errors when making changes to reports). Feeding in information to the platform helps to improve it and it can be seen as a process (to implement the MRV) rather than an online platform.

· A road map developed by the Financial Management Committee set specific goals to strengthen the tracking of private sources, as well as continually improving the information on international and national public finance.

**LESSONS LEARNED:**

• **KEEP IN MIND THAT A MRV FRAMEWORK CAN BE USED FOR VARIOUS PURPOSES:** While the Paris Agreement initially prompted the development and implementation of MRV frameworks, the Columbia case demonstrates many other potential uses. At the beginning, the platform was designed and implemented to generate the reports required by the Convention, such as National Communications. However, today the platform is considered a tool that allows planning at the national and local level.

• **DESIGN A FLEXIBLE MRV FRAMEWORK:** The language and the technological platform used to develop the MRV framework has to be very flexible. That means that it should allow simple updates regarding the information that can be generated through the platform, as the international and national context is very dynamic and the demands are continuously changing.

• **A COMPETENT TECHNICAL TEAM IS AT LEAST AS IMPORTANT AS THE MRV FRAMEWORK ITSELF:**

The platform where the reports are issued is not the only goal. It is a means through which the information is provided, and only a part of the whole information management process. Having a competent technical team involved that manages the framework is at least as important.

**HOW TO REPLICATE**

**THIS PRACTICE:**

• **UNDERSTAND THE CONTEXT IN WHICH TO BUILD THE MRV FRAMEWORK:** It is important to understand the context and set a scope of the MRV framework whilst keeping in mind that each framework design and implementation is unique.

• **START OUT SIMPLE:** It is useful to begin with a simple and straightforward MRV framework that can be expanded further at a later point, such as improving the information management processes.

• **CONCEPTUALISE THE MRV FRAMEWORK AS A JOINT PROJECT:** A MRV Framework should be cooperative in its essence. It should not be implemented as an international obligation, which can be perceived negatively by stakeholders and territories. Therefore, the MRV platform should be seen as a joint project, into which the stakeholders involved can feed information.



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### FURTHER KEY RESOURCES:

————— Comité de Gestión Financiera-Departamento Nacional de Planeación, (2016). Guía metodológica para clasificar y medir el financiamiento asociado con acciones de mitigación y adaptación al cambio climático en Colombia (Methodological guide to classify and measure financing associated with mitigation and adaptation actions to climate change in Colombia).

Available at : <https://colaboracion.dnp.gov.co/CDT/Ambiente/Finanzas%20del%20Clima/Gu%C3%ADa%20metodol%C3%B3gica%20de%20financiamiento%20clim%C3%A1tico.pdf>

### WEBSITE:

————— Main page of the platform of Colombia's Climate Finance Measurement, Reporting, and Verification (MRV) System with access to information on climate finance in Colombia (public and private):

<https://mrv.dnp.gov.co/Paginas/inicio.aspx>

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Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/GFLAC-Web.pdf>

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